ANNUAL REPORT
1983-84

Alberta
LABOUR
Pension Benefits Branch

Alberta

LABOUR

Office of
the Minister

403/427-3664

404 Legislature Building
Edmonton, Alberta, Canada
T5K 2B6

December 1984

To His Honour
Frank Lynch-Staunton
Lieutenant - Governor of the Province of Alberta

Sir:
I have the honour to present to you the Annual Report of the Pension Benefits Branch of the Alberta Department of Labour for the fiscal year ended March 31, 1984. The report is submitted in accordance with section 6(2) of the Pension Benefits Act.

Respectfully submitted,

Leslie G. Young
Minister of Labour

Alberta

LABOUR

403/427-8322

Labour Division
Pension Benefits Branch

10808 - 99 Avenue
Edmonton, Alberta, Canada
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September 1984

The Honourable Leslie G. Young
Minister of Labour
Room 404, Legislature Building
Edmonton, Alberta

Dear Mr. Young:
I have the honour to submit to you the Annual Report of the Pension Benefits Branch for the fiscal year ended March 31, 1984. The report outlines the role and responsibilities of the Pension Benefits Branch and the activities undertaken during the time period under review.

Respectfully submitted,

A.H. Wakefield
Superintendent of Pensions

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Pension Benefits Branch

Roles and Responsibilities

The Pension Benefits Branch of the Alberta Department of Labour is responsible for the administration and enforcement of the Pension Benefits Act, which came into force on January 1, 1967. The principal objective of the act is to safeguard employees' rights to benefits promised under pension plans.

With the exception of certain exempted pension plans identified under section 21 of the regulations, the act requires that every pension plan covering employees in Alberta be registered with the branch. Each of these plans must comply with the terms and conditions of the act throughout the plan's lifetime.

In accordance with the act, the branch has the power to reject pension plans that do not qualify for registration and can cancel Certificates of Registration previously issued. Branch staff monitor pension plans to ensure that they are administered correctly, that pension plan funds are sufficient to cover earned benefits, and that pension plan monies are prudently invested and managed.

A brief description of the main provisions of the Pension Benefits Act is contained in the Appendix on page 17 of this report.

As authorized by section 5 of the Pension Benefits Act, the Alberta Government is a party to two agreements, one with the Government of Canada, and one with other provinces that have legislation similar to Alberta's act. Both agreements provide for the reciprocal registration, audit, and inspection of pension plans. Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by that authority having jurisdiction over the greatest number of plan members. This means the branch carries out the duties and responsibilities of other authorities in cases where reciprocal agreements apply.

The branch is also the repository for trust agreements relative to employee benefit plans filed under section 151 of the Labour Relations Act. Filed trust agreements and amendments are reviewed for possible inadequacies or inconsistencies with regard to the intent and purpose of the agreement.

With respect to trust agreements that have been authorized or sanctioned by a collective agreement and filed with the Minister of Labour, section 151 of the Labour Relations Act provides that a trustee is not personally liable for his or her actions as a trustee unless it can be proven that the trustee was dishonest or did not act in accordance with the terms of the trust agreement.

Regulation of Pension Plans

Plans Examined and Approved

As outlined in Table 1 on page 14, the Pension Benefits Branch examined 317 new pension plans during the 1983-84 fiscal year. Of these, 315 plans received a Certificate of Registration. This compares to 251 plans that received a Certificate of Registration in the 1982-83 fiscal year, 135 plans in the 1981-82 fiscal year and 65 plans in the 1980-81 fiscal year.

Registered plans have increased in number since 1980 because of a decision by Revenue Canada, Taxation to accept pension plans that primarily provide benefits to significant shareholders of companies and their relatives. Of the 315 plans that received a Certificate of Registration in the 1983-84 fiscal year, 247 plans provided benefits primarily to significant shareholders.

The branch was responsible for the supervision of 1 546 pension plans as of March 31, 1984, which included 58 plans awaiting approval for registration.

Under the reciprocal agreements entered into with other governments, six plans were transferred to the jurisdiction of Alberta, and four were transferred from Alberta to other jurisdictions. During the year under review, 713 amendments were approved to plans supervised by the branch.

Discontinued Plans

Table 2 on page 14 shows that during the year under review 106 plans, covering 5 052 Alberta employees and 1 736 employees in other jurisdictions, were discontinued. Of these plans, 25, covering 249 employees, were discontinued because of financial problems experienced by employers. This compares to 11 plans discontinued in the 1982-83 fiscal year and to 5 plans discontinued in the 1981-82 fiscal year because of financial problems of employers. During the 1983-84 fiscal year 24 plans were discontinued because there were no members left.

Fifteen plans were discontinued because they merged with other plans, and affected plan members had their benefits transferred to the other registered plans. These 15 plans covered 6 231, or 92 per cent, of the 6 788 plan members affected by plan discontinuances in the 1983-84 fiscal year. This means that continued pension plan coverage ceased for only 557 employees.

Contributions to Plans

As outlined in Table 3 on page 15, contributions to pension plans supervised by the branch during the 1983-84 fiscal year totalled more than $306 million. This figure represents an increase of approximately 16 per cent over total contributions in the previous year.

Total employee contributions increased by approximately 13 per cent to $54.9 million from the previous fiscal year's total of $48.5 million.

Total employer contributions increased to $251.3 million, representing an increase of approximately 17 per cent over total employer contributions in the previous fiscal year. The increase in employer contributions was due mainly to the increase in contributions to pension plans providing benefits primarily to significant shareholders of companies.

In a number of plans, surplus monies resulted both from favourable investment performance and experience better than that assumed by the actuary. Some plans used surpluses to wholly or partially offset required employer contributions and in some cases to provide for plan benefit improvements. In certain plans with large surpluses, the branch gave approval for a refund to the employer of a portion of the surplus generated by employer contributions. Approval for such refunds was given to 11 plans. The total amount refunded was approximately $58 million, representing more than 400 per cent increase over the total amount of surplus refunded in the 1982-83 fiscal year.

Jurisdiction of Plan Membership

Altogether, 232 851 employees were covered by the 1 546 pension plans supervised by the branch. This represents an increase of approximately five per cent over the total employees covered in the previous fiscal year. Of the 232 851 employees, approximately 35 per cent were employed in other jurisdictions.

The number of Alberta employees covered by plans supervised by the branch increased approximately three per cent from the previous fiscal year to 151 664. The average number of members in each plan was approximately 151.

The 315 new plans that received a Certificate of Registration in the period covered in this report included 2 265 employees, of which 2 076 were employed in Alberta. The 247 plans that primarily provided benefits to significant shareholders covered 489 employees for an average of only two employees per plan. The average number of members in each new non-significant shareholder plan was approximately 26.

Table 4 on page 15 provides further details on the number of employees covered by pension plans supervised by the branch.

Plan Vesting Provisions on Termination of Employment

Approximately 45 per cent of all pension plans supervised by the branch require 10 or more years of service or 10 or more years of plan membership for vesting. These plans cover 77 per cent of all plan members. All pension plans must at least provide for vesting in accordance with the minimum requirements of the Pension Benefits Act for Alberta employees. For employees outside of Alberta, pension plans must at least provide for vesting in accordance with the requirements of legislation in the applicable jurisdictions.

As in previous years, the most frequently encountered vesting provision on termination of employment was 10 years of service or 10 years of plan membership. Of the pension plans supervised by the branch, approximately 27 per cent, covering about 54 per cent of all plan members, require 10 years of service or 10 years of plan membership for a plan member to qualify for vesting of benefits on termination of employment or termination of plan membership.

Approximately 40 per cent of all plans supervised by the branch provide for immediate vesting. However, these plans cover only two per cent of all plan members. The vast majority of these plans are pension plans that primarily provide benefits to significant shareholders of companies. Table 5 on page 16 provides further details on the vesting provisions of pension plans supervised by the branch.

Type of Benefit Provided

Table 6 on page 16 shows information on the type of benefit provided by pension plans supervised by the branch. Particularly interesting is the fact that approximately 55 per cent of all plan members are covered by plans providing flat dollar benefits, which are usually based on years of service. Flat benefit pension plans represent only about four per cent of all plans supervised by the branch. They contrast with money purchase pension plans which represent about 64 per cent of all plans but which cover only seven per cent of all plan members.

Money purchase pension plans are most common to employers who have a small number of employees on staff. These plans are easier and less costly to administer than other types

of plans. Since 1981, Revenue Canada, Taxation has required that all new pension plans that primarily provide benefits to significant shareholders of companies, be money purchase pension plans. This has contributed to the establishment of a large number of money purchase pension plans with a very small number of members.

Flat benefit pension plans are most commonly found in the construction, food and retail industries, and the vast majority are multi-employer negotiated pension plans administered by a board of trustees.

Of the 315 new plans that received a Certificate of Registration in the period covered by this report, 283, or 90 per cent, were money purchase pension plans.

Canadian Association of Pension Supervisory Authorities

Legislation similar to the Pension Benefits Act of Alberta has been enacted by the governments of Canada, Nova Scotia, Quebec, Ontario, Manitoba, and Saskatchewan. Authorized representatives of the various authorities are members of the Canadian Association of Pension Supervisory Authorities (CAPSA). The association generally meets twice a year to review all aspects of pension plans and pension legislation. Its chief concern is to promote uniformity in both the legislation and interpretation of various acts with similar provisions.

A sub-committee of CAPSA, the Standing Committee of Superintendents, also meets on a regular basis. In addition to conducting studies on behalf of CAPSA, the sub-committee reviews new developments and problem areas, and identifies courses of action that can be taken. Its proceedings and recommendations are reported to CAPSA.

Regular meetings of CAPSA and the Standing Committee of Superintendents have resulted in a high degree of co-operation between various jurisdictions. The meetings contribute to the maintenance of uniform legislation and the promotion of similar administrative procedures in various jurisdictions. Persons involved in the pension benefits field have benefited from this co-operation.

By open invitation, representatives of other jurisdictions considering the enactment of pension legislation attend meetings of CAPSA from time to time. Jurisdictions that have availed themselves of this invitation include Newfoundland, New Brunswick, Prince Edward Island, and British Columbia. CAPSA met twice during the period covered by this report.

In the 1983-84 fiscal year, CAPSA completed its review of pension disclosure regulations and developed new regulations in respect of multi-employer pension plans and investment of pension funds. In addition, considerable effort was applied to ensure the uniform development of a number of other pension-related issues.

Other Activities

As in previous years, the branch dealt with a large number of pension-related enquiries from the public. When requested to do so, the branch provided assistance to employees, employers, insurance and trust company officers, consultants and lawyers. Enquiries from employees usually dealt with non-receipt of payments under pension plans or with uncertainties involving benefit rights. Enquiries from people providing pen-

sion services, such as consultants, invariably related to the requirements of the Pension Benefits Act. People who provide pension services were particularly interested in knowing whether certain actions are legally possible within the parameters of the legislation. The branch also dealt with a large number of enquiries relating to what changes may be made in the near future to the Pension Benefits Act and the effective date of any changes that may be made.

In accordance with the reciprocal agreements entered into with other governments, the branch exerted considerable effort to ensure that plans were amended to comply with legislative changes enacted by various authorities outside Alberta. During the period covered by this report, the most extensive legislative changes were those made to Manitoba's pension legislation. The changes were effective January 1, 1984.

The branch also provided assistance to a number of government departments on various matters relating to pensions, the retirement income system, and employee health and welfare benefit plans. In addition, branch staff served as speakers at public pension meetings and seminars and assisted pension plan administrators in tracing the whereabouts of terminated plan members entitled to benefits.

Amendments to the Pension Benefits Act

No changes were made to the Pension Benefits Act or Regulations during the period covered by this report.

Pension Legislation Review

The development of amendments to legislation was postponed pending further review and public reaction to several key reports and papers. Many employers are waiting until amendments to legislation are implemented before they make changes to their pension plans.

Operating Costs and Revenue

Operating costs of the branch for the 1983-84 fiscal year amounted to $326 507.

Revenue, derived from fees charged in respect of Applications for Registration and Annual Information Returns, amounted to $35 263.

Table 1
Pension Plans Approved, Cancelled, Transferred or Amended During the year ended March 31, 1984

	Total at March 31, 1982*	Total at March 31, 1983*	Change during year	Total at March 31, 1984
Plans Examined	2 873	3 128	317	3 445
Plans "Approved" (Registration)	2 785	3 036	315	3 351
Plans Transferred to Alberta Supervision	124	132	6	138
Plans Transferred from Alberta Supervision	143	147	4	151
Plans Cancelled	1 734	1 838	106	1 944
Amendments to "Approved" Plans	8 455	9 340	713	10 053
Annual Information Returns**	19 844	21 041	1 202	22 243

* These columns show totals since January 1, 1967.
** An Annual Information Return is submitted in respect of every pension plan and provides data regarding contributions to the plan, plan membership, terminations and retirements.

Table 2
Reasons for Discontinuance of Pension Plans During the year ended March 31, 1984

Reason for Discontinuance	Total at March 31, 1982*	Total at March 31, 1983*	Change during year	Total at March 31, 1984
Non-approval by Revenue Canada, Taxation	287	287	0	287
Replaced by New Plans	393	420	23	443
Financial Problems	117	128	25	153
Company Dissolved	166	178	8	186
Not Required to Register and Duplicate Registration	25	25	4	29
No Members Left in Plan	247	266	24	290
Non-Compliance	28	32	2	34
No Reason Given - Employer's Request	471	502	20**	522
TOTAL	1 734	1 838	106	1 944

* These columns show totals since January 1, 1967.
** The 20 plans shown in this category consisted of:

4 "Significant Shareholder" Plans	10 members
4 "Salaried and Executive" Plans	26 members
12 "All Employees" Plans	66 members
TOTAL	102 members

Of the 102 members covered:

12 transferred the value of their entitlement to Registered Retirement Savings Plans
30 received cash
60 received deferred life annuities

Table 3
Contributions to Pension Plans Supervised by the Pension Benefits Branch During the years ending March 31, 1982, 1983 and 1984

	1982	1983	1984
Employee Required Contributions	$ 38 483 846	$ 42 567 504	$ 46 821 571
Employee Voluntary Contributions	7 120 974	5 958 416	8 071 031
Total Employee Contributions	$ 45 604 820	$ 48 525 920	$ 54 892 602
Employer Current Service Contributions	131 250 267	$177 767 190	$207 308 529
Employer Past Service Contributions	26 770 982	35 228 410	41 227 381
Employer Special Payments	3 624 981	1 514 163	2 794 693
Total Employer Contributions	$161 646 230	$214 509 763	$251 330 603
TOTAL CONTRIBUTIONS	$207 251 050	$263 035 683	$306 223 205

Table 4
Jurisdiction of Plan Membership for Pension Plans Supervised by the Pension Benefits Branch At March 31, 1982, 1983 and 1984

	1982		1983		1984	
	#	%	#	%	#	%
Alberta	131 789	65.8	147 202	66.7	151 664	65.1
Quebec	23 606	11.8	23 752	10.8	25 802	11.1
Ontario	11 316	5.7	13 298	6.1	19 443	8.4
British Columbia	15 629	7.8	16 454	7.5	16 628	7.1
Manitoba	9 202	4.6	10 201	4.6	8 991	3.9
Saskatchewan	4 925	2.5	6 003	2.7	6 296	2.7
Nova Scotia	2 546	1.3	2 535	1.1	2 559	1.1
Newfoundland	422	0.2	513	0.2	511	0.2
New Brunswick	283	0.1	264	0.1	259	0.1
Yukon and Northwest Territories	119	—	50	—	122	0.1
Prince Edward Island	25	—	26	—	15	—
Outside Canada	461	0.2	491	0.2	561	0.2
TOTAL	200 323	100.0	220 789	100.0	232 851	100.0

Table 5
Vesting on Termination of Employment or Plan Membership
At March 31, 1983 and 1984

Conditions to Qualify for Vesting*	1983 Plans #	1983 Plans %	1983 Members #	1983 Members %	1984 Plans #	1984 Plans %	1984 Members #	1984 Members %
Immediate vesting	380	29.2	3 886	1.8	619	40.0	4 017	1.7
5 years or less of service or membership	159	12.2	32 702	14.8	205	13.3	39 485	17.0
6 - 9 years of service or membership	54	4.1	14 920	6.7	52	3.4	10 957	4.7
10 years of service or membership	430	33.1	120 981	54.8	415	26.8	126 482	54.3
11 - 19 years of service or membership	118	9.1	16 942	7.7	100	6.5	16 455	7.1
20 years or more of service or membership	49	3.8	4 674	2.1	42	2.7	4 545	2.0
Service or membership and/or age	5	0.4	576	0.3	6	0.4	4 021	1.7
No vesting other than that required by legislation**	106	8.1	26 108	11.8	107	6.9	26 889	11.5
TOTAL	1 301	100.0	220 789	100.0	1 546	100.0	232 851	100.0

* Plans are classified on the basis of the vesting conditions applicable to employees who leave before completion of the minimum vesting conditions prescribed by legislation. These minimum legislative vesting conditions apply to an employee who satisfies one of the following conditions:

(a) is employed in a jurisdiction that has pension legislation, and has completed 10 years of service or membership and is 45 years of age or older,

(b) is employed in Saskatchewan, has completed one year of service or membership, and age plus years of service or membership equals 45,

(c) is employed in Manitoba and has completed 10 years of service or membership.

** Plans that have no vesting other than the legislative requirements outlined in note (*) above.

Table 6
Plans and Members by Type of Benefit
At March 31, 1983 and 1984

Type of Benefit	1983 Plans #	1983 Plans %	1983 Members #	1983 Members %	1984 Plans #	1984 Plans %	1984 Members #	1984 Members %
Unit Benefit								
Final Average Earnings	81	6.2	18 109	8.2	82	5.3	20 582	8.8
Average Best Earnings	184	14.1	35 312	16.0	191	12.4	42 484	18.2
Career Average Earnings	208	16.0	23 104	10.5	190	12.3	22 464	9.7
Total Unit Benefit	473	36.3	76 525	34.7	463	30.0	85 530	36.7
Money Purchase	723	55.6	15 448	7.0	987	63.8	16 296	7.0
Profit Sharing	18	1.4	931	0.4	21	1.4	956	0.4
Flat Benefit	74	5.7	124 755	56.5	67	4.3	127 331	54.7
Composite	13	1.0	3 130	1.4	8	0.5	2 738	1.2
TOTAL	1 301	100.0	220 789	100.0	1 546	100.0	232 851	100.0

Appendix

Main Provisions of the Pension Benefits Act, in General Terms

The Pension Benefits Act (Chapter P-3 Revised Statutes of Alberta 1980) came into force January 1, 1967. In general terms, the main provisions of the act are as follows:

1) Vesting

A member of a pension plan who, upon ceasing to be employed by an employer, has attained age 45 and has either completed 10 years of continuous service with the employer or been a member of the plan for such period, whichever occurs first, is entitled to the pension benefits earned under the plan in respect of service since January 1, 1967. These pension benefits are payable only as a life annuity commencing at normal retirement age.

Neither the value of the life annuity nor any contributions the employee was required to pay towards the cost of this annuity is available in cash. In addition, this entitlement cannot be assigned, surrendered, alienated, seized or attached.

Because of these provisions, the true purpose of pension plans, which is to provide income for retirement years, is upheld.

2) Funding

Each year the employer is required to pay into the pension fund sufficient monies to cover the cost of the benefits earned in that year. In addition, where a liability exists because of (1) the granting of benefits for prior service, or (2) experience different from that assumed by the actuary, annual special payments designated to liquidate the liability within a specified number of years must be paid into the pension fund.

The maintenance of a fund ensures that pension monies are kept separate and distinct from assets of the employer.

3) Investment

Insurance companies are limited by federal legislation with respect to their investments. The securities in which pension funds may be invested are also, for the most part, subject to these limitations.

An additional restriction is that not more than 10 per cent of the book value of the fund may be invested in securities relative to any one corporation. Seven per cent of the fund may be invested in unqualified securities. These limitations are intended to reduce the risk of fund diminution through investment losses.

4) Explanation to Employees

The employer is required to provide each member of the pension plan with a written explanation of the terms and conditions of the plan and amendments thereto. This ensures that plan members are made aware of their rights and duties under the plan as well as the benefits they may become entitled to.